

Department of Ecology – Water Quality Financial Assistance Council Meeting

November 12, 2015

In Attendance: Brain Cochran, Don Gatchalian, Kahle Jennings, Bruce Lund, Ed Thorpe, Dan Kaplan, James Kelly, Ruby Irving-Hewey, Peter McMillan, Jeremy Simmons, Randy Freeby, Shelly McMurry, Jeff Nejedly, Don Seeberger, Daniel Thompson, Kim Wagar, Ben Rau, Jessica Schwing

Special guests: Nancy Aldrich, Steve Carley

Welcome and Introductions, [Shelly McMurry](#)

FMS Update, [Jeff Nejedly](#)

- Rebecca Brown is the new Environmental Planner 3 who will be replacing Melanie Tyler who is retiring. This position is focused on onsite septic funded projects.
- In the past Ecology hired a temporary position to conduct the Clean Watershed Needs Survey but is looking to fill a permanent position to allow continuity. The duties may be expanded to include working on summarizing outcomes in a biennial report
- The Clean Watershed Needs Survey is done every four years however EPA hasn't published the 2012 survey results yet. There is a potential that Clean Water SRF's capitalization grant will be based on the Needs Survey the same way Drinking Water SRF's is. Currently the grant award is based on a formula. If this changes, it would make the accuracy of the needs survey data important. Dave Dunn is currently Ecology's Needs Survey contact.
 - FAC feedback-Be sure to utilize FAC members to help spread the word about the importance of the survey the next time it is sent out. Is the needs survey based on current WQ standards? It is hard to plan for future WQ standards unless they are communicated. The survey won't capture those needs.
- Shelly and Jeff attended the Council for Infrastructure Finance Authority (CIFA) conference. This is a national conference that includes representatives from Drinking and Clean Water SRF programs from all the State's and EPA representatives. It's an opportunity to hear about any upcoming issues or new requirements and how other States are implementing their programs. Some highlights:
 - There are new Federal Flood Standards that may impact SRF.
 - We got some good ideas for Marketing.
 - There is a lot of talk about alternative financing options including Public/Private partnerships. Westcoast Infrastructure has some case studies. Canada Regina Project (Wastewater) and Carlsbad Desalination plant.
 - Hot issues include Climate Resiliency and Water Reclamation.

Legislative and Budget Update, [Kim Wagar](#)

- 2016 Supplemental Budget request was sent to OFM. It included
 - \$15M request for Centennial out of the State Building Construction Account (SBCA). The current budget only has \$20M total for 15-17 which was allocated in our SFY16 list of projects, leaving no funds for the FY17 cycle. For FY17 we had a request for \$33M of Centennial funds. It gives Ecology a good list to show the current unmet need.
- There is only a \$100-\$110M bond capacity for the SBCA and Ecology alone is asking for \$55M total. There isn't a lot of capacity and we are competing with other agencies. We will see what the Governor's budget includes in December but it is an uphill battle.
- Agency wide, the MTCA revenue dropped significantly. This comes from oil revenue which dropped from \$104/barrel in 2014 to \$42/barrel in 2015. This leaves a \$62M deficit for the MTCA account for 15-17. Ecology relies on the MTCA account significantly. There may be some delaying of cleanup projects. Ecology has developed a cash management plan and requesting a bond swap.
- Ecology has requested a change in our SRF statute to allow for a 30 year term loan. The recent amendments to the Clean Water act now allow for up to a 30 year loan based on the useful life of the assets. Don Seeberger is looking for a legislator to sponsor the change. If approved, we will engage in a rule revision process. This will include an analysis of the impact on the account to lead to decisions about when we will allow 30 year terms.

Stormwater Update, [Jessica Schwing](#)

- Summary of the WQ combined FY17 applicants for Stormwater projects
 - 17 Stormwater activity projects (1/2 were for street sweepers)
 - There were 59 Stormwater facility projects
 - 15% were designed under with our predesign grants awards
 - 15% construction only
 - 15% planning only
- The Preconstruction funding list was released on November 6th. There are 45 projects on the list. Many of the projects are looking at infiltration or other appropriate technology. We are looking about combining this funding into the WQ combined for FY18.
- On October 16 we released the list of successful Regional/Statewide Grants. These are no match funds for our Phase 1/Phase 2 communities. This is funded out of Ecology operating budget. 7 out of 26 were funded. The majority of the projects were education and outreach and others were evaluating technology.
- Capacity grants are our direct awards for Phase1/phase 2 communities and for direct to implementation projects. They are 2 year grants, \$50,000/permittee. Recipients get \$25,000/year. FAC members expressed how helpful these funds have been to small communities. Ecology has had to institute a Use it or Lose it policy. If a community doesn't provide progress reports 2 consecutive quarters, we will proceed with closing the grants.

Overview of FY17 Application, [Daniel Thompson](#)

Category	# of Projects	Loan Requested	Grant Requested
Nonpoint Source Pollution Control Activity	49	\$1,590,000	\$11,810,596
Onsite Sewage System	2	\$2,150,000	\$650,000
Stormwater Activity	19	\$62,500	\$6,322,292
Stormwater Facility	57	\$1,031,000	\$38,490,414
Wastewater Facility - Hardship ¹	10	\$102,365,869	\$0
Wastewater Facility - Non-hardship	17	\$35,355,285	\$0
Wastewater Facility – Refinance	1	\$7,615,000	\$0
Totals	155	\$150,169,654	\$57,273,302
(1) Note: Qualified Hardship projects may be eligible for up to 100 percent Centennial grant (\$5 million maximum).			

We had 155 applications totaling \$207M. For a detailed list please see the meeting materials “SFY17 Ecology WQ Combined Funding Program Applications Received”.

- We received 1 loan request for land acquisition for source water protection. We have a hardship request for \$85M for Oak Harbor’s project.
- One refinance project, city of Wapato. They probably won’t qualify unless they can document Davis-Bacon wage and American Iron and Steel requirements were met on the project.
- Roughly 10 projects were identified as potentially ineligible.
- Evaluations should be done by 12/18 and the Draft list to the legislature by 1/22/16.
- This is less demand for stormwater funds than last year. The theory is communities are at capacity with the number of projects.

SRF and Centennial potential rule revisions WAC, [Daniel Thompson](#)

Ecology is currently pursuing a statute change to allow for a 30 year term loan. If that passes, we will move forward with the rule revision to the SRF (173-98 WAC) and Centennial (173-95A WAC). This will also allow for a more comprehensive update of the rule and evaluation of changes that have been brought up over the years by FAC and other.

This discussion was to look at a preliminary list of potential changes. All of these topics, we will dive deeper into and analyze pros and cons during the rule revision process. For the outline of

issues, see the Meeting Materials, “Potential Revisions to Chapter 173-98 WAC (CWSRF) and Chapter 173-95A WAC (Centennial)--11.12.15 Meeting.pptx”

FAC members suggested that even if the statute didn’t get changed, Ecology should move forward with rule revision and have a place holder for the statute change so it isn’t delayed any longer.

One of the changes is to update the rule to be consistent with the requirement that recipients have to be following Generally Accepted Accounting Principles (GAAP), <http://www.fasab.gov/accounting-standards/authoritative-source-of-gaap/>. The biggest impact is that small communities use a “cash based” rather than “accrual”.

When discussing expanding eligibilities to include State agencies, there was some FAC members that didn’t like that idea.

Water Quality Strategic Plan, [Heather Bartlett](#)

Water Quality released their strategic plan which includes the Mission, Vision and Goals. It can be found at <http://www.ecy.wa.gov/programs/wq/about.html>

Heather will provide FAC a report out in 1 year.

Cash Flow and 30 year term analysis, [Shelly McMurry](#) and [David Dunn](#)

Water Quality FMS is using a “Cash Flow” model to analyze the loan portfolio, using assumptions and forecasting what the account balance will be into the future based on funding level decisions. The SRF account balance is over \$200M and we need to get the cash balance down to \$40M. We have been “accelerating” the last three years. This has helped us see more money going out in disbursements versus repayments coming back into the account.

We are also looking at the impact 30 year term loans will have on the perpetuity of the account. Even though 30 year terms will ultimately result in more money coming back into the account, it is spread over 30 years so it impacts the amount of loans we can offer in during the short term. We will look at whether the 30 term loan should only be offered as an option to hardship communities. This was a preliminary analysis but more to come as part of the rule revision process.

To see the presentation, see the Meeting Materials, “CWSRF Cash Flow Presentation updated 11-10-15”.

Roundtable

We celebrated Nancy Aldrich and Ed Thorpe. Nancy is retired and Ed will be retiring as soon as they find a replacement.

Future FAC Meetings (Tentative):

March 23, 2016

July 27, 2016

**To email staff, click on their name after the subject title.*